

UNITED STATES DISTRICT COURT FOR THE  
SOUTHERN DISTRICT OF FLORIDA  
CASE NO. \_\_\_\_\_-CIV \_\_\_\_\_

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

GLOBETEL COMMUNICATIONS CORP.,  
TIMOTHY J. HUFF, THOMAS Y. JIMINEZ  
and LAWRENCE E. LYNCH

Defendants.

08-60647

CIV-MARTINEZ

MAGISTRATE JUDGE  
BROWN

FILED BY	<i>[Signature]</i>	D.C.
MAY - 1 2008		
STEVEN M. LARIMORE CLERK U.S. DIST. CT. S.D. OF FLA. FT. LAUD.		

**COMPLAINT**

Plaintiff Securities and Exchange Commission ("SEC" or "Commission") alleges as follows:

**NATURE OF THE ACTION**

1. The Commission brings this action against GlobeTel Communications Corp. ("GlobeTel" or the "company") and three former officers for violations that span more than five years and include fraud and the unregistered sale of more than \$1.6 million in stock. These violations involved one scheme to fraudulently inflate GlobeTel's revenue and then hide millions of dollars in unpaid bills, and another scheme to sell GlobeTel stock in order to pay some of the individuals who were responsible for the fraudulent inflation of GlobeTel's revenue.

2. The fraud continued from 2004 to 2006 during which time the two individuals, Joseph J. Monterosso ("Monterosso") and Luis E. Vargas ("Vargas"), who ran GlobeTel's wholesale telecommunications ("telecom") business created \$119 million in fake invoices that

appeared to reflect transactions between telecom companies and three of GlobeTel's wholly-owned subsidiaries. These invoices falsely created the appearance that GlobeTel's subsidiaries were buying and selling telecom "minutes" at no profit. In reality, GlobeTel and its subsidiaries never bought or sold anything under what was referred to as the "off-net" revenue program.

3. Neither GlobeTel nor its subsidiaries ever paid the invoices supposedly sent by the suppliers, and neither GlobeTel nor its subsidiaries ever received payment from the customers to whom invoices were supposedly sent.

4. As a result of the fake invoices that GlobeTel received, millions of dollars in unpaid bills accumulated on GlobeTel's books each quarter. If GlobeTel had permitted millions of dollars in unpaid accounts receivable and unpaid liabilities to remain on its books, it would have created the appearance that GlobeTel's customers had failed to pay their bills and that GlobeTel had never paid millions of dollars to its suppliers. GlobeTel never had enough cash to pay the "off-net" invoices.

5. GlobeTel never disclosed the unpaid bills accumulating on its books because two GlobeTel executives, Thomas Y. Jiminez ("Jiminez") and Lawrence E. Lynch ("Lynch"), each of whom served as the company's chief financial officer, eliminated the millions of dollars in unpaid bills by making, or causing to be made, entries in GlobeTel's general ledger that set off the receivables attributable to the "off-net" revenue program against the liabilities attributable to that program. The set off of the receivables and liabilities associated with the "off-net" revenue program was made without any basis, was inconsistent with generally accepted accounting principles ("GAAP") and had the effect of concealing the on-going fraud from investors.

Additionally, Lynch and Jiminez were aware of numerous warning signs ("red flags") that alerted them that "off-net" invoices were suspicious.

6. As a direct result of defendants' scheme, GlobeTel issued periodic reports, registration statements and press releases that misled investors because they materially misstated GlobeTel's financial results for at least the period from the third quarter of 2004 through the second quarter of 2006. In order to pay Monterosso and Vargas for the fake invoices they created, GlobeTel sold about \$1.6 million in stock through unregistered sales. Timothy J. Huff ("Huff"), GlobeTel's CEO, accomplished these unregistered sales by causing one of GlobeTel's subsidiaries to sell GlobeTel stock and transfer the proceeds to GlobeTel. Those sales violated the securities laws as discussed below.

7. The SEC brings this action based upon violations of the securities law that the defendants committed in furtherance of these schemes. In addition, GlobeTel also violated the securities laws by making false filings or by failing to make required filings from 2002 to 2006, including the failure to account properly for so-called sales of software and networks in 2002 and the failure to properly account for the purchase of private businesses in 2004 and 2005.

#### **JURISDICTION AND VENUE**

8. The Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and Sections 21(d), 21(e) and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e) and 78aa]. The defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, or of the mails, or the facilities of a national securities exchange in connection with the acts, transactions, practices and courses of business alleged herein.